

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6597**

**BILL NUMBER:** HB 1004

**NOTE PREPARED:** Dec 3, 2003

**BILL AMENDED:**

**SUBJECT:** Older Homestead Standard Deduction.

**FIRST AUTHOR:** Rep. Pflum

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
☐ FEDERAL

**IMPACT:** State & Local

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues	(43,000)	(86,000)	(86,000)
State Expenditures	(1,600,000)	(4,900,000)	(4,900,000)
Net Increase (Decrease)	1,557,000	4,814,000	4,814,000

**Summary of Legislation:** This bill establishes an additional homestead deduction for older homes.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The new historic homestead deduction in this proposal would cause a reduction in some homesteaders' property tax bills which would result in a savings of homestead credit expenditures. **The savings are estimated at \$1.6 M in FY 2004 and \$4.9 M per year thereafter.**

*PTRC* and Homestead Credits are paid from the Property Tax Replacement Fund (PTRF), which is annually supplemented by the state General Fund. Any savings of PTRC and Homestead Credit expenditures would ultimately benefit the state General Fund.

**Explanation of State Revenues:** The AV reduction resulting from the new historical deduction would cause a reduction in revenue for the State Fair and State Forestry Funds. **The reduction is estimated at about \$43,000 in FY 2004 and \$86,000 in all other years.**

**Explanation of Local Expenditures:** There are 10 counties that currently provide a locally funded homestead credit. These counties include Allen, Madison, Marion, Miami, Monroe, Perry, St. Joseph, Spencer, Tippecanoe, and Vanderburgh. The new deduction in this bill will reduce homesteaders' property tax bills which would result in a small savings of locally provided homestead credit expenditures.

Local homestead credit is paid for with County Option Income Tax (COIT) proceeds. The amount of COIT revenue available for distribution to local civil taxing units is reduced by the amount spent for local homestead credits. Any local homestead credit savings would, therefore, increase distributions to the civil taxing units in these counties.

**Explanation of Local Revenues:** Under this proposal, homesteads that are more than 100 years old would qualify for a \$9,000 AV deduction. Homesteads that are between 50 years and 100 years old would qualify for a \$4,500 deduction. This deduction would first be available for taxes paid in CY 2004.

Based on available 2003 property tax parcel record data received to date, it was estimated that as many as 450,500 homesteads would qualify for the \$4,500 deduction, while 66,800 homesteads would qualify for the \$9,000 deduction. The total deduction amount is estimated at \$2.63 B AV. **This deduction would result in an estimated net property tax shift of about \$51 M beginning in CY 2004.** These amounts would be shifted from homesteaders in older homes to all property owners in the form of a higher tax rate. Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

**State Agencies Affected:**

**Local Agencies Affected:** County auditors.

**Information Sources:** County property tax parcel record data; Local Government Database.

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